BEST ADX STRATEGY
BUILT BY PROFESSIONAL TRADERS
The ADX indicator trading rules can help you achieve your financial goals
Trading Strategy Guides.com
All Forex traders strive to build their own profitable strategies. Well, this day is your lucky day because we're willing to share with you the best ADX strategy that was actually built by a professional trader. Our team at Trading Strategy Guides firmly believes that one of the easiest ways to actually become a profitable trader is to mimic the behavior of professional traders.

We have talked a lot about trend trading strategies and you can find plenty of evidence here: MACD Trend Following Strategy- Simple to learn Trading Strategy, here: How to Profit from Trading Pullbacks and here: Swing Trading Strategies that Work

However, we have never talked about how to measure the strength of the trend in any possible time frame. You can only measure the strength of the trend by using a special trading indicator such as the ADX which is an acronym that stands for Average Directional Index.

Detecting a strong directional move is the most important thing for a trader. No matter what type of trader you're, after you enter a position you need a strong directional move in the direction of your trade in order to make a profit.

The ADX indicator trading rules can help you achieve your financial goals.

Now...

Before we move forward, we must define what technical indicator we need for the best ADX strategy and define what are the ADX indicator trading rules:
The BIG THREE Indicator Can Win Three Times As Many Trades Than Your Average “Free” Indicator” You See in the Marketplace.- Guaranteed

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· ADX Indicator Trading Rules

Before going further into the ADX indicator trading rules, let’s first define what the ADX indicator is and how you can profit from it.

The ADX indicator simply measures the strength of a trend and whether we’re in a trading or non-trading period. In other words, the ADX is a trend strength indicator.
We need to be very careful about how we read and interpret the ADX indicator because this is not a bullish and bearish indicator. The ADX's moving average only measures the strength of the trend.

So, if the price is going **UP** and the ADX indicator is also going **UP** then we have the case for a strong bullish case.

The same is true if the price is going **Down** and the ADX indicator is going **UP** then we have the case for a strong bearish case.
The first ADX indicator trading rules say that a reading below 25 signals a period of non-trading or ranging market. The second ADX indicator trading rules say that a reading above 25 is enough to signal the presence of a strong bullish/bearish trend.

Going forward, what you need to keep in mind is that the ADX indicator doesn’t give you any information about the direction of the market as it just provides you information about the strength of a trend.

**ADX Indicator settings**

The ADX indicator uses a smoothing moving average in its calculation and we find out that the best ADX indicator settings to use is 14 periods. With our ADX indicator settings, you’ll have more accurate signals and it will help you get in a trade earlier.

The ADX indicator works best when used in combination with other technical indicators. The best ADX strategy also incorporates the RSI indicator in order to time the market. The ADX indicator can only help us to gauge the intensity of the trend so we need to RSI indicator for entry signals.

The RSI uses a 20 period setting the same like the ADX indicator settings.
Finally, your chart setup should have at the bottom both the ADX and RSI indicator, the same like in the figure below.

Now, let’s see how you can effectively trade with the best ADX strategy and how to make profits from applying the ADX indicator trading rules.

· **The Best ADX Strategy**

The ADX indicator trading rules will ensure that you only trade when there is a strong trend be it on the 5-minute chart or on the daily chart. In this regard, the best ADX strategy is a universal strategy that performs the same regardless of the time frame used.

Moving forward, we’re going to look for selling opportunities.

**Step #1: Wait for the ADX indicator to show a reading above 25**

Before we even look at the market if it either goes up or down, we must first wait for the ADX indicator to show a reading above 25. Based on the ADX indicator trading rules a reading above 25 represents a strong trend and the likelihood of a trend developing.
We all know that the trend is our friend, but without real strength behind the trend, the newly trend formed can quickly fade away.

In order to gauge the direction of the trend we also need to look at the actual price action which brings us to the next step of the best ADX strategy.

**Step #2: Use the last 50 candlesticks to determine the trend. For sell signals, look for price to develop a bearish trend.**

No matter of your time frame, we need a practical way to determine the direction of the trend.

By using a sample size of 50 candlesticks to determine the trend we ensure that we trade in the moment of now. We like to keep things simple, so if the price is heading lower during the last 50 candlesticks we’re in a bearish trend.
Now, it’s time to focus on the catalyst that will trigger our sell signal for the best ADX strategy.

**Step #3: Sell when the RSI indicator breaks and show a reading below 30**

For our entry signal, we’ll be using the RSI indicator that uses the same settings as the ADX indicator settings. Normally the RSI reading below 30 shows an oversold market and a reversal zone. However, smart trading means looking beyond what the textbook is saying.

In a strong trend as it’s defined by the ADX indicator that’s precisely what we want to see. We want more sellers coming into the market.

So, we want to sell when the RSI indicator breaks and show a reading below 30.
The next important thing we need to establish is where to place your protective stop loss.

See below...

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Step #4: Protective Stop Loss should be placed at the last ADX high

In order to determine the stop loss location for the best ADX strategy, first identify the point where the ADX made the last high prior to our entry. Secondly, find the corresponding high on the price chart from the ADX high and there you have it your SL level.
Last but not least the best ADX strategy also needs a place where we need to take profits, which brings us to the last step of this unique strategy.

**Step #5: Take Profit when the ADX indicator breaks back below 25**

The best ADX strategy seeks to only capture those profits resulted from the presence of a strong trend. Once the prospects of a strong trend fade away we look to take profits and wait for another trading opportunity.

To accomplish this we take profits as soon as the ADX indicator breaks back below 25.

An ADX reading back below 25 suggests the prevailing trend is running out of strength.
Note** The above was an example of a SELL trade using the ADX indicator trading rules. Use the same rules – but in reverse – for a BUY trade. In the figure below you can see an actual BUY trade example.

Take a look:

![Chart showing ADX and RSI indicators for a BUY trade example]

· Conclusion

The best ADX strategy gives us very useful information because a lot of the times we as traders don’t want to get into something that moves nowhere and that’s not trending in a strong fashion way. By applying the ADX indicator trading rules one can take advantage of the strength of the trend and cash in quick profits.

The bottom line is that the best profits come from catching strong trends and the best ADX strategy can help you accomplish your trading goals.

The best ADX strategy is similar to the Best Momentum Trading Strategy for Quick Profits because both strategies seek to take advantage of the strength of the trend.

Thank you for reading!

Please Leave a comment below if you have any questions about this strategy!
As a Bonus for you we always like to include examples of our strategy to help you perfect this trading system.

Example 1: Gold 4 Hour Buy Example

Example 2: USD/CAD Daily Sell Example
Example 3: USD/JPY 15-Minutes Buy Example

- **Take Profit**
- **BUY Here**
- **+100pips Profit**
- **SL here**

**Technical Indicators:**
- **ADX**
  - ADX Low
  - ADX breaking above 25
- **RSI**
  - RSI breaking above 70
  - RSI breaking below 25

**Market Conditions:**
- Moving Higher Bullish Trend

**Timeframe:**
- 15 Minutes

**Currency Pair:**
- U.S. Dollar/Japanese Yen (USD/JPY)